CHAPTER XII

GEOGRAPHICAL ADVANTAGES

It will now be necessary to examine the economic, strategic, and other advantages of the Canal for the maritime, exporting, importing, emigrating, and travelling nations of the world.

The primary object of a ship canal is, of course, to shorten distances for vessels. Ship-freight is cheaper than railway freight. Before the building of the Canal, freight could only cross the isthmus by means of transhipment from steamer to train on the Panama railroad, and thence to steamer again. The cost of transhipment is a very large item in the total carriage costs of goods. As regards passenger traffic, it will of course be a vast convenience and comfort to perform a continuous voyage on one steamer from Europe or New York into the Pacific, and to San Francisco, British Columbia, Callao, Valparaiso, etc., and thence along the great trade routes to Asiatic ports, China, Japan, and so forth, without changing at Colon, and without
going far south to traverse the cold and stormy regions which have their passage in the Straits of Magellan, or the Horn. The use of the Panama Canal will render possible for the first time (with the exception of the impracticable North-West Passage, only once traversed so far) the circumnavigation of the globe north of the equator.

The principal reduction of distances due to the Canal is that between the Atlantic and Pacific ports of North America. From New York and ports north of it—Quebec, Montreal, Boston, Halifax, and others—the distance to Panama and all ports north of it, such as Acapulco, San Francisco, Puget Sound, Vancouver, Prince Rupert (the terminus of the new Grand Trunk Pacific Railway), and others, will be reduced by slightly more than 8400 miles; which figure represents the present circumnavigation of South America to Panama from the present route of steamships. This is the maximum shortening. For all the Pacific seaports of South America the saving naturally decreases in proportion with their distance from Panama. Thus the shortening to Callao, Iquique, and Valparaiso decreases to a minimum of 1000 miles at Punta Arenas, the growing seaport in the Straits of Magellan, the most southerly in the world.

Similarly, the Panama Canal shortens the
distance from Europe to the Pacific coast of
the Americas, but in a lesser degree, as against
the Magellan route. From Liverpool, and with
slight variations, from London, Hamburg,
and Antwerp, etc., the reduction effected to
Panama and all Pacific American ports north
thereof is slightly over 6000 miles. To ports
on the Pacific coast of South America the
saving varies, as before, reaching zero at
Punta Arenas. Colon is 1960 miles from New
York and 4720 miles from Liverpool; so that
the Pacific coast of America is now much
nearer, by direct voyage, to New York than
to Liverpool, which was not so before the
building of the canal. For it is to be recollected
that steamers both from New York and
Liverpool had to pass the easternmost point
of South America, at Pernambuco, near the
equator, which point is 4066 miles from Liver-
pool and 3696 miles from New York—a differ-
ence in favour of the latter of only 370 miles.
The South American continent, it will be
remembered in this connection, lies almost
entirely east of the North American continent,
which brings Brazil so relatively near to
Europe. Lisbon is several hundred miles
nearer than New York to the coast of Brazil.
Now a steamer course nearly due north and
south, via the canal, embraces the east coast
of North America and the west coast of South
America. New York, for example, is slightly west of Iquique, and Washington is near the meridian of Quito.

As regards distances from Europe to Asia, the Panama Canal offers little or no advantage over Suez. A vessel from Liverpool, Hamburg, Antwerp, Lisbon, or elsewhere, gains nothing by sailing westward for Asia instead of eastward, as at present, as the Panama Canal route is longer than the Suez Canal route. Further, there is no gain by the Panama Canal between England and Australia. To some of the New Zealand ports the distance is slightly less, but the Panama Canal will not bring any port in Asia, or the islands of Asia, such as Japan or the Philippines, nor yet the East Indies, any nearer to any European port. The only exception beyond that of New Zealand is the ice-bound portion of Siberia, where it approaches America.

But although Europe does not gain in these distances, the United States does greatly, by using the Panama instead of Suez, the route, as is shown by the following distances.¹

From New York to Yokohama, via Suez, is 13,564 miles, and via Panama, 9835 miles, giving a reduction in favour of the Panama route of 3729 miles. From New York to

¹ The Panama Canal, Dr Vaughan Cornish.
Shanghai, via Suez, is 12,514 miles, and via Panama, 10,885 miles, with a reduction of 1629 miles. From New York to Sydney, via the Cape of Good Hope, is 13,658 miles, and via Panama and Tahiti, 9852 miles, with a reduction of 3806 miles. From New York to Melbourne, via the Cape of Good Hope, is 13,883 miles, and via Panama and Tahiti, 10,427 miles, with a reduction of 2656 miles. From New York to Wellington, New Zealand, via the Straits of Magellan, is 11,414 miles, and via Panama and Tahiti, 8,872 miles, with a reduction of 2542 miles. Thus it is seen how considerable is the saving by the Canal from New York to those important places. But to ports farther north in Pacific Asia there is no gain. Thus, from New York to Hong Kong, via Suez, is shorter than via Panama, the distances being 11,655 miles and 11,744 miles respectively. To Manila there is a gain of 16 miles only by the Panama route from New York, the distances being, Panama, and thence via San Francisco and Yokohama, 11,585 miles, and via Suez, 11,601 miles. Via Panama, Honolulu, and Guam the figures are 11,729 miles.

The Panama Canal route leaves unchanged the relative distances to the Atlantic coast of South America (Brazil, Argentina, the Amazon, the River Plate, etc.), to Africa, and
to Asiatic ports south of Shanghai. Their distances from New York and Liverpool are unaffected. But Yokohama, Sydney, and Melbourne are now nearer New York than Liverpool; and Wellington in New Zealand, nearly equidistant before, is now 2739 miles nearer New York than Liverpool. Liverpool, however, is still 295 miles nearer to Shanghai than New York (via San Francisco). Thus, the distance from New York to Yokohama, via Panama, San Francisco, and by great circle, is 9835 miles; and from Liverpool, via Suez, Aden, Colombo, Singapore, Hong Kong, and Shanghai, 11,640 miles, or 1805 miles in favour of New York. From Sydney to New York via Panama and Tahiti being 9852 miles, and from Liverpool via Suez, Aden, Colombo, Adelaide, and Melbourne, 12,334 miles, there are 2382 miles in favour of New York. From New York to Wellington, New Zealand, via Panama and Tahiti being 8872 miles, and from Liverpool via Panama and Tahiti 11,681 miles, there are 2759 miles in favour of New York. This last figure is made up of: Liverpool to Colon, 4720 miles, New York to Colon, 1961 miles, difference 2759 miles, the subsequent routes, being identical. ¹

That portion of the earth's surface in

¹*The Panama Canal*. Dr. Vaughan Cornish.
which some of the important Asian and Australian places above mentioned are situated, a vast block lying between $120^\circ$ and $140^\circ$ of latitude east of Greenwich, and parallel $40^\circ$ of north latitude, and $40^\circ$ of south latitude, is of special interest as concerns the Panama Canal. A line passing there-through, running somewhat west of north and east of south is equidistant from New York and Liverpool, the first via Panama, the second via Suez. The Zone contains Japan and Korea, Shanghai, and the Philippines, New Guinea, and most of Australia.

An important North American seaport that will gain as regards its position by the Canal, is New Orleans. At present this place, and other ports in the Gulf of Mexico, are farther than New York from such ports as San Francisco and Valparaiso, and other Pacific American ports, and from Yokohama and Shanghai. But they are 580 miles nearer Colon, and therefore, by the Panama route, are that distance nearer to the western American and the Asiatic ports mentioned than New York, and to Sydney, Melbourne, and Wellington. It was stated long ago by an American economist that a ship-railway at Tehuantepec would practically be 'a continuation of the Mississippi River into the Pacific Ocean,' and the same argument
similarly applies to the Panama Canal. The improvement of the Mississippi fluvial system and the numerous products of its great valley are, it is held, likely to cause increased traffic from New Orleans.

It is shown by the figures of distances that the British Australasian dominions are brought much nearer to the United States eastern ports. Instead of being 1000 miles nearer to Liverpool than to the eastern seaboard of the United States, they will be, in some cases, 2500 miles nearer New York than Liverpool. Much has been made of the effect on 'Imperial' relations of this change by some writers, but it is difficult to think that any fundamental difference will arise therefrom. It has long since been shown that the solidarity of the British Empire does not rest upon trade. Commerce will inevitably seek certain natural channels, as long as import and export trade exists. Energy and excellence will always count, and to those trading nations who display this will belong the spoils.

Moreover, if Australia is, by the topographical change of the isthmus, placed under some competitive conditions as regards British trade, another part of the Empire, that of British Columbia, is greatly benefited. Vancouver and eastern Canadian ports generally benefit in their shortened distances from
eastern American and with Europe, the necessity for vessels doubling the South American continent being avoided. The effect on Western Canada is likely to be a marked one. The distance from British Columbia to the eastern ports of Canada and of the United States will be shortened by about 8000 miles; and to Liverpool more than 6000 miles.

It is reasonable to assume a growth of trade with British Columbia, due to lowering of freight costs, and the consequent cheapening of products, and the greater facility of obtaining business for the return voyage. The Mississippi Valley, and even the Orinoco and Amazon valleys, will be similarly rendered more accessible to the special products of British Columbia. British Columbia is a peculiarly favoured land in many respects. Its civilisation is markedly British; its climate resembles that of the British Isles to a large extent—the Japan current performing, in this respect for that coast, what the Gulf Stream performs for Britain, affording thus a temperate environment, with its corresponding effect on the human element.

It is generally considered that the British possessions of Jamaica, and other of the West Indian Islands, are to benefit materially by reason of the operation of the canal, lying as
they do in the 'American Mediterranean' in the path of a great trade route through the Canal. Kingston, the chief port, is 550 miles from Colon. The West Indian Islands are regions of great interest and capabilities. The black labour furnished for the construction of the Canal was of the utmost value, as elsewhere described, when adequately treated. The British negroes, however, do not settle on the isthmus, but prefer to return to their native islands.

The problem of adequately disposing of these teeming black populations is one which must exercise the statesmen of these islands in the future. A more intensive cultivation of the soil will yield a great variety of food products, but it cannot be said that Britain has efficiently supported these colonies. The cities of these British Crown Colonies are in many cases veritable revelations to the traveller, in their modernity, but the black population is greatly in evidence. All these beautiful islands of the Antilles and the West Indies should become better known and their resources more greatly utilised by reason of the probable commercial development of the 'American Mediterranean.' Their climate and scenery are often of the most delightful. Jamaica, Barbados, Cuba, and all others have never received their full meed
of attention. Trinidad lies in the mouth of the great and still little known Orinoco—that river of which Columbus wrote to the King of Spain that he had discovered 'one of the great streams flowing from the earthly paradise.'

In view of the utilities of the Canal the British harbours in the Caribbean Sea have been re-surveyed by the imperial authorities, and proposals made for establishing coaling and oil-bunkering stations, as at Carlisle Bay, Barbados, St Lucia, and docking and repairing facilities at Kingston, Jamaica. The British steamship lines using those regions have also surveyed the field for necessary developments in their services. It is, however, easy to exaggerate the benefit to be derived from the Canal by the British West Indies. Mere coasting-stations will not greatly advance them, and the various islands are widely scattered.

In the Pacific the Hawaiian Islands are among those lands which should draw benefit from the Canal, lying as they do at the crossroads of the Pacific. Their position is a peculiar and valuable one in regard to ocean routes, and the Americans, under whose control the islands are, look forward to considerable developments. It is natural to assume that a great naval base for the United States fleet
may be the outcome of American control of these islands and the opening of the Canal. The islands lie 4600 miles westward from Panama, and their climatic conditions and natural resources, together with great scenic and other attractions, render their possession of great potential value.

The annual export of products from Hawaii to the United States reaches the value of 46,000,000 dollars, three-fifths of which is for the ports of the Atlantic seaboard. This freight is carried at present via the Tehuantepec railway, from Salina Cruz, and it is argued by the patriotic Americans of Hawaii that its cheaper route would be via the Canal. In anticipation of greatly increased trade, the American Hawaiian Steamship Company is building five 10,000 ton steamers as an addition to its fleet, which at present trades between Hawaii and the United States.

Other islands in the Pacific which may be expected to acquire some strategic importance due to the canal, are the Galapagos. These islands lie off the coast of Ecuador, to which country they belong. They comprise a group of five large and ten smaller islands, the nearest being 580 miles from the mainland. The total area of the group reaches some 2800 square miles. The Galapagos lie exactly under the equator, and derive their name from the
species of giant tortoises which abound there. They are in the direct route of vessels crossing the Pacific Ocean and approaching Panama from New Zealand and the south-west, and so, in a sense, might be said to command an approach to the Canal from the Pacific side. The climate of the archipelago is tempered by the cold Peruvian current which sweeps up from the south, and its natural history—its flora and fauna—is of much interest owing to the isolated position, which has rendered its species immune from interference or interchange.

There are various British-controlled islands in the mid-Pacific which may be influenced by the Canal; among them Fanning Island, a few degrees north of the equator, and near the meridian of Hawaii. This island is the junction of the Pacific Cable Company's lines, and the establishment of a naval base there has been discussed.

It is to be recollected, in considering the advantages of the Canal as regards the two coasts of North and South America, that these are united by various transcontinental railway lines from the Atlantic to the Pacific, and that these railways will undoubtedly strive to enter into competition in the carriage of freight with the Canal. Time and distance of travel by the North American railways are
naturally much shorter than by the Canal. There are two such railways in Canada, the Grand Trunk Pacific, almost completed, and the Canadian Pacific. In the United States there are six such railways; in Mexico and Central America there are several more, including the Tehuantepec Railway.

All these, especially the last-named, are likely to compete for business as against the Canal. It is not rational to suppose, for example, that the producers of goods or foodstuffs in the interior of the United States could reap much advantage from the Canal as regards shipments to United States ports. Thus Californian fruit growers, or the mine-owners of Colorado would scarcely send their products to a Californian port for shipment to New York via Panama, nor would manufacturers in Pennsylvania and the eastern or middle states ship goods from New York via Panama for the western states, as this would involve double handling.

The transcontinental railways are the natural route for such home commerce. Furthermore, it is possible that improvements in railway traffic in the future may tend to lower railway rates, although the reverse has been the case so far. As regards passenger traffic, it is the case that where both sea and railway routes are available
passengers generally prefer the latter, both by reason of the saving of time and from inclination. An example exists in the service between New York and Vera Cruz, in Mexico, the port of the city of Mexico; and the same might be said of London and Scotland. People prefer the railway wherever such is available. There are, however, bulky raw products and manufactured articles which undoubtedly will find the sea-route economical between eastern and western coasts, and vice versa.

The Tehuantepec Railway has proved to be a successful undertaking since the line was rebuilt and the terminal ports constructed. The traffic across the isthmus increased from 145,000 tons of merchandise in 1906, to 460,000 tons in 1911, due partly to sugar exports from Hawaii, and the return business involved. The value of the traffic across the isthmus grew from 11,000,000 dollars to about 75,000,000 dollars. The cost of the new railway and docks, was borne by the Mexican Government. The distance from New York to San Francisco, via Tehuantepec, is 1000 nautical miles less than that via Panama, and the difference in favour of Honolulu about the same. But as the railway involves transhipment, with a loss of several days in handling goods, this advantage will not
necessarily remain. Nevertheless it cannot be doubted that the Tehuantepec Railway will be a rival of the Canal to a certain extent.

As regards the South American Pacific (or Atlantic) coast, this is, at present, without means of communication by rail with North America. But it cannot be long before the railway systems of the two continents are connected. The long-proposed Pan-American railway must undoubtedly be built in the future. The Mexican railway system, which is in effect a prolongation of the United States railways, is already being connected with Guatemala; and thence southwards through Central America, to join the systems of Colombia, Ecuador, Peru, and Chile on the Pacific coast, and those of Brazil and Argentina is only a question of time. The links required to fill in the Pan-American railway form, in the aggregate, some 5000 miles of line, the cost of which would be by no means prohibitive. Such a railway would necessarily cross the Panama Canal by means of a swing bridge, or by a viaduct across the Culebra Cut. This line is one of the great railway enterprises remaining to be carried out.

A further transcontinental route in South America which may yet call for recognition,
is that via the Amazon to the base of the Peruvian Andes, and thence across those mountains by railway to the Pacific coast. The Amazon is one of the most remarkable fluvial systems in the world, as indeed it is the largest. The steamer from Europe reaches the coast of Brazil and penetrates 2500 miles into the interior of South America, via the Amazon, to within some 400 miles of the Pacific coast. So far no railway has been built to bridge the gap across the Andes, except that the famous Oroya line from Callao and Lima reaches the summit, and an extension thereby is being made to the headwaters of steam navigation on the Ucayali, a branch of the Amazon in Peru. The completion of this line will create an important route of travel across the broad portion of the South American continent, whose interior is at present little more than a wilderness. Upon this line of route lie Para, Manaos, and Iquitos, the last-named being Peru’s eastern capital.

The existing or projected railways in North and South America may be expected therefore to offer a certain amount of coast-to-coast competition with the Panama Canal. It is, however, impossible to predict with any approach to certainty what the result will be, so varying are the factors to be taken into
consideration. It has generally been held, in the science of transport, that the creation of fresh means of communication does not necessarily detract from the business enjoyed by existing ones, but rather, by creating new business, greater opportunities and increased movement, adds to the assets of all. This axiom does not always hold good, but it is confidently expected that it will be affirmatively demonstrated in the case of the Canal.

There remains for consideration the matter of a possible rival canal in the Central American isthmus. It will be recollected that such was once threatened at Suez, and the possibilities in that respect of Central America are not yet exhausted. Whether, however, any other nation is ever likely to pretend to construct a waterway across the isthmus of Central America is very doubtful. The Nicaragua route is covered by a recent treaty between the United States and that country, giving the Americans the right to construct a waterway there.

In Colombia there is still a route which might serve for the construction of a waterway. This is the combination of the Atrato and San Juan rivers; the first of which discharges into the Caribbean Sea, and the second into the Pacific. Their head-
waters approach so near to each other that, according to a survey made early in the nineteenth century, a canal, cut across the water-parting 400 yards long, between the two rivers, would complete the link of navigable communication. This, however, would doubtless be of necessity for smaller vessels.

It was announced by the Colombian Minister in London recently that offers had been received at Bogotá from the United States for a treaty to cover this zone for a canal, which was refused by Colombia. That republic desires that its outstanding questions with the United States should be subjected to arbitration at the Hague, but the United States refuse.

The building of a canal at Panama has caused the old project of a ship-railway, such as that once proposed for Tehuantepec by the American, Eads, to be forgotten. This project was one for carrying ships across the isthmus upon a quadruple track, from sea to sea, as an alternative to the heavy cost of a canal in that region. The highest point of the Tehuantepec water-parting is 735 feet, at the Chivela Pass, and the distance across 125 miles. The difficulties of a ship-railway to carry the enormous bulk of a modern vessel are doubtless very great, but there are no engineering impossibilities involved. To carry
ships across a broad track, either in cradles or floating in a vast tank or caisson might present serious problems, but the cost of such a structure would be doubtless far less than that of a canal, and possibly the plan might have been worthy of more serious consideration by modern engineers.
CHAPTER XIII

TOLLS, FORTIFICATIONS, AND STRATEGY

As has been already remarked, the United States Government did not enter upon the construction of the Panama Canal with the idea originally that the enterprise would prove a remunerative or dividend-paying one. Such ideals, however, are not likely to prevent a business-minded nation from making every effort to prevent financial loss, and to secure whatever profits may be possible. Whether the waterway can be made a paying institution, after the manner of the Suez Canal, remains to be seen. It is hoped and asserted by those in a position to judge, that no further burden will have to be imposed upon the American taxpayer in respect of the work.

The total cost of the Canal was finally estimated at the equivalent of nearly £75,000,000 sterling, and interest, and the annual cost of operating will amount to a large sum. To this must be added the
yearly 'rent' of £50,000 to be paid to the Republic of Panama. The Suez Canal cost only £19,000,000, the Manchester Ship Canal, £15,000,000, and the Kiel Canal £8,000,000. The Suez Canal, as before described, pays a good dividend upon its shares. The profits have been so considerable that the British Government alone, due to its large holding, receives now upwards of £1,000,000 sterling per annum in dividends. With such a return upon the capital invested, the Suez Canal management might reduce its tolls still further and yet pay its shareholders well.

Elaborate calculations have been made of the amount of toll-paying tonnage that may be expected to make use of the Panama Canal. It has been estimated that within a short time after the opening this traffic will reach 7,500,000 or 8,500,000 tons per annum, and such an amount was, in fact, the ascertained possible figure for 1910. During that year the traffic passing through Suez amounted to 16,500,000 net register tons, about double that calculated as available for Panama. A member of the Isthmian Canal Commission¹ showed, according to his figures, the existence of 5,000,000 tons of available traffic in 1899.

¹ Professor Amory Johnson, one of the leading authorities upon the Canal.
for Panama, which increased in the 11 years to 1910 by 66½ per cent., or at the rate of 59 per cent. per decade. Given a constant rate of increase in the same proportion to the year 1915, the traffic using the Canal at that date would be 10,500,000 tons per annum. It was held that the assumed increase of 59 per cent. per decade in the tonnage of available Panama traffic was conservative; that a study of the growth of the commerce of the world as a whole, and of the trade of different sections of the world with each other, warranted the figure.

The trade of the United States with countries other than European increased in tonnage 67·5 per cent during the decade ended in 1910; the trade of the Atlantic-Gulf seaboard of the United States with Pacific countries increased 63 per cent.; and the traffic of the Suez Canal, 70½ per cent. above the large figures which it had attained in 1900. More than 60 per cent. increase per decade for the Panama Canal is, it is held by these authorities, to be expected; but should the growth only reach that figure, between 1915 and 1925, the traffic would reach 17,000,000 net tons register in the last-named year. Large as such a figure might seem, it would be small in comparison with the increased Suez traffic by that date; as under that
calculation Suez would have reached a total greater than 20,000,000 tons in 1915, and correspondingly greater in 1925.

Such are the calculations arrived at by American experts, but it remains to be seen how far actual circumstances will bear them out. The figure of 8,500,000 tons, calculated as being available at once, would leave a deficit on payments and expenses of operation. It has been argued by some authorities,\(^1\) with a considerable show of reason, that an entirely free Canal would be an advantage to the United States; greatly increasing the demand for American products, and so benefiting the republic far more than the sum obtained by the receipt of tolls, which would amount in effect to a tax on American trade. It is further argued that even under such a system, the American transcontinental railways would benefit by the more rapid development of the Pacific coast and western American regions consequent upon a free Canal. Thus it is seen how conflicting are the opinions upon the subject.

As the time approached for fixing the important subject of the amount and range of the tolls to be charged upon vessels using the Canal, it became evident that the business

\(^1\) The directors of the Pan-American Union, the Hon. John Barret, especially.
instincts of the United States were fully at work. ‘Discrimination’ in favour of American coastwise shipping was to be a feature of the American possession of the waterway. This alleged discrimination in the matter of Canal tolls in favour of the United States became crystallised in the Panama Canal Bill, brought into the United States Congress at the close of 1912, and it aroused very strong opposition in Great Britain. It was bluntly averred in Britain and by other maritime nations that the Bill involved a breach of faith and an infraction of the Hay-Pauncefote treaty.

In this treaty, as elsewhere quoted, it was set forth that ‘the Canal shall be free and open to the vessels of commerce and war of all nations on terms of entire equality, so that there shall be no discrimination against any such nation or its citizens or subjects, in respect to the conditions or charges of traffic.’ In spite of this very plain provision, the American Government approved the Bill discriminating in favour of American coastwise vessels, whereby these vessels were exempt from tolls. As shown elsewhere, the term ‘coastwise’ covered a very wide field, and included practically the larger part of the American mercantile marine.

A strong protest to the measure was
immediately made by the British Government. The Foreign Office put it plainly to the Washington Government that this was a direct contravention of the Hay-Pauncefote treaty. Various communications passed between the two Governments. The Americans endeavoured to justify their proposals. In October, 1911, President Taft had stated that 'if it were adjudged discrimination against other countries to favour American coastwise vessels, there was nothing to prevent voting back to coastwise vessels the tolls they would be required to pay.' This statement, again brought forward, was regarded by the British Press, and even by a strong American party, as an ingenious attempt at circumventing the question. First to collect and then to pay back these tolls would be equivalent, it was urged, to exacting no tolls at all. The American Government then abandoned that attitude, and instead of seeing an obstacle in the treaty, as had before been admitted, to the remission of these tolls, took up the new position that the treaty did not bear upon the point.

There was, however, a very strong party in the United States which denounced these provisions of the Bill as unfair and even damaging to the honour and good faith of the United States. Among these was the Secretary
for War.\textsuperscript{1} who vigorously opposed the discrimination in favour of American coastwise vessels using the Canal, and declared that 'the policy of Congress in that respect was bad and unnecessary, and that Congress in passing the Panama Canal Bill acted contrary to the advice of the War Department, and urged the revision of the law.'

An argument of President Taft in favour of the Bill was that, as coasting trade was confined by law to American shipping already, such discrimination could not prejudice foreign shipping; that foreigners could not lose trade which they never possessed. Also, that the policy of exempting the coastwise trade really involved the question of granting a Government subsidy for the purpose of encouraging trade in competition with the transcontinental railways. In the past those railways had received assistance from the Government, and in giving support to other means of transport the Government was acting in accordance with such a policy, not reversing it.

The transcontinental railways have long been accused of abusing the practical monopoly they enjoyed. The motto of one of these railways had always been 'All the traffic will bear,' as the people of California

\textsuperscript{1} Mr Stimson, quoted by \textit{The Times}. 
recollect well. The provisions of the Bill were, it was stated, partly for the purpose of penalising any such monopoly, as the Inter-State Commerce Commission had shown that drastic measures were necessary to maintain the independence of the coastwise shipping.

The methods of transport trusts in the United States are well known. Where possible, ships owned by the railway companies are run, even at a loss, until rival companies whose income depends solely upon their steamers are driven out of business. The land rates can then be raised or controlled to the benefit of the railway company, thus creating a monopoly. These illegal operations had long taxed the power of the Government to circumvent them. The process of ‘freezing out of business’ a rival concern is a species of modern buccaneering that, in the United States, has been brought to a fine art by the trusts and other dishonest financial concerns; and is scarcely less discreditable than the depredations of the early buccaneers of the Spanish Main.

The American railway companies were naturally opposed to the Panama Canal Bill, and its provisions concerning them, which amended the Interstate Commerce Law, were regarded as the most drastic statute affecting railways ever passed by Congress. The Bill
enacted that, after July, 1914, 'it should be unlawful for any railway company or other common carrier to own, lease, operate, control, or have any interest whatsoever (by stock ownership or otherwise, either directly or indirectly, or by directors in common) in any common carrier by water, operated through the Panama Canal.' The policy of discrimination against railway-owned vessels would, it has been argued, act adversely against Canada also. Canadian railways have large sums invested in steamships.

The controversy over the Bill continued for some time, and became international in character. As before remarked, a strong party in the United States regarded the discrimination as unfair, and a portion of the American Press spoke bitterly about the lax sense of international honour of the Americans and the ease with which an international treaty could be broken. They rebuked the 'Anglophobe' senators of Congress, and others who professed to think that the matter was merely a 'domestic' concern affecting only the United States. The last proposal of Great Britain was to bring the matter to arbitration, but to this the American authorities did not consent. The President was greatly blamed for his attitude, both by a party at home and by the British and other foreign Press. At
this period Mr Taft's term expired, and a new President, Dr Woodrow Wilson, was elected, who, it appeared, had a stronger sense of the justice of the situation than his predecessor. The subject did not of course affect Great Britain alone, but France, Spain, Germany, Italy, and all maritime nations. It was hoped in Great Britain that the situation would be fairly and amicably adjusted, and President Wilson later announced his resolve that an equitable course would be followed.

In August, 1913, it was announced by the British Government that Britain would not give any official support to the great Panama Exhibition to be opened at San Francisco in 1915. A great outcry followed in a portion of the American Press, which regarded this announcement as retaliatory, following upon the American action in the matter of Canal dues. But the same announcement was made by Germany.

It was then plainly shown by the British Foreign Office that the attitude was not retaliatory (it might justifiably have been so), but that His Majesty's Government did not consider the great expense incurred—estimated at £250,000—would be justified by the commercial advantages to accrue. The American Press then saw their mistake in attributing retaliatory motives to Britain, which country
promised to send battleships to take part in the opening of the Canal in due course.

The matter of tolls and dues in the Panama Canal has, so far, been fixed by proclamation of the United States President, Mr Taft, made in November, 1912. This called for—First: on merchant vessels carrying passengers or cargo, one dollar and twenty cents per net vessel ton—each one hundred cubic feet—of actual earning capacity. Second: on vessels in ballast without passengers or cargo, forty per cent less than the rate of tolls for vessels with passengers or cargo. Third: upon naval vessels, other than transports, colliers, hospital ships, and supply ships, fifty cents per displacement ton. Fourth: upon army and navy transports, colliers, hospital ships, and supply ships, one dollar and twenty cents per net ton, the vessels to be measured by the same rules as are employed in determining the net tonnage of merchant vessels. The rules for these measurements and all necessary regulations for carrying out the proclamation were to be prepared by the Secretary for War.

These tolls are very similar to the tolls prevailing at Suez, which, as before shown, were reduced in January, 1912, to 6.25 francs, equal to one dollar twenty cents per net ton for loaded vessels, with passenger tolls of ten P.C.
francs per adult, and half price for children. In view of the competition for some of the world's carrying trade, which it seems natural will be set up, the tolls on one canal must bear a more or less constant rate to those on the other. The principal competitive region is Pacific Asia, and part of the East Indies and Australasia, forming that belt on the earth's surface about equidistant from both waterways. This debatable ground lies entirely east of Singapore. West of it the traffic belongs naturally to the Suez route, and is not likely to be disturbed unless some very unforeseen circumstances arise. As regards western and eastern America, it is an interesting question how far the transcontinental railways will meet the Canal dues by cutting their own rates to meet the cost of water-carriage through Panama.

The Panama Canal as constructed and controlled by the United States is strongly fortified. This fortification, upon which an enormous sum of money has been spent by the American Government, aroused considerable criticism in Britain, Europe, Japan, and elsewhere, and was, in fact, regarded in part as a breach of faith. The spirit—and in the Clayton-Bulwer treaty the words—of the agreement between Great Britain and the United States was that the Canal should not
be fortified. The Hay-Pauncefote treaty laid it down that 'the Canal shall never be blockaded, nor shall any right of war be exercised, nor any act of hostility be committed within it.' Thus the neutralisation of the Canal was established thereby. In the Hay-Bunau-Varilla treaty between the United States and Panama, it was set forth that the Canal 'shall be neutral in perpetuity, and shall be opened in conformity with all the stipulations of the treaty of 1901, entered into by the Governments of the United States and Great Britain,' but adds that 'if it should become necessary at any time to employ armed forces for the safety or protection of the Canal ... the United States shall have the right to use its police and its land and naval forces or to establish fortifications for these purposes.'

Apart from the matter of the alleged breach of faith by the United States in fortifying the Canal the advisability of so doing has been gravely questioned by a considerable party in that country and elsewhere, although supported by an equally strong or stronger party of Americans. The fortification of the Canal gives the United States the power of closing the Canal to its own belligerent. The party opposing fortification maintain that the conditions prevailing at Suez should have